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SERVICES SECTOR DEVELOPMENT WITHIN THE CSME
Update on regional initiatives

Featuring quarterly trade updates, articles and information to support the efforts of individual traders, farmers, and producers, as well as independent professionals, cultural practitioners, private sector firms and businesses to capitalize on the many trade and commercial opportunities across the CARICOM Single Market and Economy (CSME).
Message From The Editor

Dr. Richard Brown, Director, CARICOM Single Market and Sectoral Programmes

Dear Readers,

As we approach the end of what has been another challenging year for the CARICOM Region, we must pause to reflect on the gains which we have made, collectively, over these past several months. These include, but are not limited to our economic and political achievements as we seek to advance our august regional integration movement.

On the international stage, we have witnessed the potency of our collective “soft power” with St. Vincent and the Grenadines, in June of this year, becoming the smallest nation ever to secure a seat as a Non-Permanent Member of the United Nations Security Council. Also in June, Barbados was successful in its bid to host the 15th Quadrennial United Nations Conference on Trade and Development (UNCTAD) in 2020, also becoming the first Small Island Developing State (SIDS) to do so.

In addition, the Cooperative Republic of Guyana was rated the fastest growing economy in the world by NASDAQ, while in early November Jamaica was lauded by the New York Stock Exchange as well as internationally for having the best performing stock exchange in 2019. A number of our Member States also made significant improvements in their domestic reforms, as reflected in the 2019 World Bank Doing Business Report, and we have made significant progress in the twin arenas of culture and sports producing what, by all indications, was the best ever staging of CARIFESTA in its 47 year history, hosted by Trinidad and Tobago, while our regional athletes, led by Jamaica, again dominated centre-stage at the 17th IAAF World Championships in Doha, Qatar.

Ours is, therefore, a Region that, while relatively small on paper, punches well above its proverbial weight in all spheres of life, be it economics, politics, culture and sport. We must, therefore, cherish and promote the bonds which bind us, and do our fervent best to ensure greater cohesiveness in our collective policy, politics, social and cultural outlook so as to ensure our mutual success.

This necessarily means that, among other things, the Region must begin to increasingly look inward in order to support and further strengthen regional production, by first buying from within, while providing effective cover that will encourage regional private sector activity.

In addition, the pursuit of production integration as a priority economic development strategy, an equitable level of regional value chain participation that supports our micro, small and medium-sized enterprises, as well as the creation of a more effective enabling environment for business and trade, would be critical to improving our overall levels of productivity and international competitiveness in the year ahead.

Greater attention will also need to be paid to the issue of functional cooperation, which, as small resource constrained economies, continue to be a development imperative for the Region, as it will serve to address the high cost of both implementing and maintaining the required institutional arrangements that are crucial for achieving our more effective integration. These are not simply lofty goals and ideals, but represent actions that are well within our reach. Let’s reach out and take hold.

I take this opportunity to also thank our Readers and all Members of Staff who helped to make this Magazine possible, giving of their time and expertise in providing timely and insightful information and analysis to aid the citizens of this Region to capitalize on the many trade and commercial opportunities which abound.
The CARICOM TRADER MAGAZINE

Featuring quarterly trade updates, articles and business information

Other Important Issues:
- Regional and Global Developments
- Spotlight on CSME Stakeholders
- Opportunities under CARICOM-Costa Rica FTA
- Regional Market Opportunities
- Mitigating the Impact of Climate Change and Natural Disasters

The CSME and You: Status of CSME Implementation (Pg. 14)

Updating on the work being done in relation to the strengthening of the framework for the CSME, and steps taken to further the implementation of the required measures for the full operationalization of the CSME. A brief synopsis of the status of the single market in relation to the movement of skills, services, capital and the right of establishment is also provided.

Customs Corner (Pg. 27)

Demystifying the CSME by addressing some common misconceptions, as well as looking at the protection and opportunities available within Article 164 industries. An update on the ongoing review of the CET and Rules of Origin is also given.

The Future of Regional Agriculture: Capitalizing on the new frontier in Global Agriculture (Pg. 5)

Updating on the Region’s efforts toward charting a new course in regional agriculture, by promoting sustainable agricultural development and addressing the challenges in achieving these agricultural development goals. The efforts at exploring emerging sustainable, market-led agricultural initiatives are also addressed, so too the opportunities to identify approaches to combat Climate Change, explore climate financing in agriculture and disaster risk reduction, among other matters.

Information on Topical Issues

- Intra-regional Transportation and Agriculture, Pg. 7
- Update on the Refined White Sugar Debate, Pg. 24

Featured Article:
The Economic Development Thrust

Useful Quotes

“Paying attention to simple little things that most men neglect make a few men rich”

— Henry Ford

“Be content to act, and leave the talking to others”

— Baltasa
Regional & Global Developments:

- Jamaica successfully completed its stand-by arrangement with the IMF in November 2019, amid positive growth signals from the economy as the 50 year old Jamaica Stock Exchange (JSE) was recognized by Bloomberg as the Best Performing Stock Market in the World for 2019. This impressive outturn by the JSE was mainly achieved via aggressive outreach to encourage business listings as well as the creation of a Junior Stock Exchange.

- Guyana prepares to strike first oil in December 2019, as the electorate gets ready to go to the polls in March 2020.

- UK Prime Minister Boris Johnson received a resounding mandate from the British electorate on 12 December 2019, paving the way for Brexit in January 2020. The question now remains whether it will be a hard or soft Brexit as British hardliners continue to push for the UK’s total separation from the EU.

African Continental Free Trade Pact in Force

The African Continental Free Trade Agreement (AfCFTA) is a pan African free trade pact involving 54 of the 55 Member Countries (excludes Eritrea) of the African Union (AU). The agreement, which entered into force on 30 May 2019, is intended to create a single liberalized market for goods and services, and facilitate the movement of capital and natural persons and facilitate investments, in order to deepen the economic integration of the African continent. The AfCFTA, which will be negotiated through successive rounds of negotiations, is also expected to lay the foundation for the establishment of a Continental Customs Union at a later stage, as well as the promotion and attainment of sustainable and inclusive socio-economic development, gender equality and structural transformation of the Parties. Other critical goals of the pact include the enhancement of the competitiveness of their economies within the continent and the global market, as well as the promotion of industrial development through diversification and regional value chain development, agricultural development and food security.

The key guiding principles of the AfCFTA include variable geometry, flexibility, special and differential treatment, and reciprocity. During phase II, the Parties are expected to negotiate intellectual property rights, investment and competition policy. The institutional framework for the overall implementation, administration and monitoring of the AfCFTA will consist of an Assembly, which is the highest decision making organ, a Council of Ministers, a Committee of Senior Trade Officials, and a Secretariat which shall be functionally autonomous from the AU.
CARICOM Single Market and Economy (CSME) Stakeholders Consultations

On 4 November 2019, the CARICOM Secretariat engaged a representative group of regional private sector, labour and civil society stakeholders in Barbados, in order to obtain their feedback and inputs as to how they, and by extension the Region, can effectively make use of the CSME regimes. These Consultations also sought to raise public awareness by providing information on a range of CSME issues. It is expected that this engagement with regional stakeholders will facilitate increased policy coherence at the decision making level of the Community, in line with the needs of the regional stakeholders, and ensure that the regional work programme and roadmap for achieving the CSME reflect the needs of stakeholders.

Among the issues raised, was the need for improved communication and public awareness. In addition, the issue of consumer protection and the cost of transportation were also singled out for attention. Stakeholders also called for a people-centric regional integration process and not a market-centric process, as it was felt that the market approach could only take the region so far, but that it would require the involvement of the people in order to maintain the unity and integrity of the integration arrangements and enable the Region to grow.

Others also emphasized that, in order to effect change within CARICOM there was need to utilize modern technologies and social media, and stressed that ICT would be critical to achieving economic development. Issues related to the freedom of movement and regional travel were also said to be vital to the process, while yet others emphasized the importance of a single currency, with the overall emphasis being that of the need for a stable macro-economic environment.

These consultations are expected to become a regular fixture on the regional calendar.

Live Televised Townhall Meeting

A townhall meeting, under the theme “The CSME: What's in it for me?”, was also held on the evening of 4 November 2019 at the UWI Cave Hill Campus in Barbados. The live televised event was hosted jointly by the Honourable Mia Amor Mottley, Prime Minister of Barbados and Lead Head with responsibility for the CSME in the CARICOM Quasi Cabinet, as well as Ambassador Irwin LaRocque, Secretary General of CARICOM. Opening remarks were also delivered by Dr. Warren Smith, President of the Caribbean Development Bank (CDB).

In her opening remarks, Prime Minister Mottley emphasized the importance of acting collectively in order to respond to the various economic, social, governance and environmental threats facing the Region. She also emphasized that the citizens of the Region must ask themselves the question - “Can I survive and strive in the Caribbean where my country is trying to do it alone?” She therefore suggested that what's in it for the citizens of the region is the ability to fight off the worst impacts of the climate crisis, drive down prices and enhance competitiveness for increased profitability, which requires coming together.

The audience, which included participants from around the Region, who joined via various social media platforms, raised very diverse issues such as the need for a labour market impact assessment to determine the region’s skill labour requirements, the role of the diaspora in the conversation on regional unity, economic growth, and economic opportunity, and putting the idea of political integration back on the table. Other important matters raised included what was being done to integrate Haiti into the CSME, and the need to address the high cost of intra-regional travel by looking at how to reduce the level of taxes on airline tickets. The need for the creation of an online data sharing platform was also mentioned.
The Member State of Belize was abuzz with agricultural activities throughout the week of September 30 to October 4 2019, as the Government of Belize hosted the 12th Regional Planners Forum on Agriculture. The major players in the regional agriculture sector descended on Belize City with the aim of charting a new course in regional agriculture, under the theme: “Capitalizing on the New Frontier in Global Agriculture. The Forum hosted over 120 participants from across the Region including Ministers of Government, Chief Agricultural Planners from Member States, Development Partners (FAO, IICA, CDB, and CTA), Private Sector groupings and representatives from civil society.

The Forum took a participatory, thought-provoking approach that focused primarily on agreeing on practical, workable and adaptable agricultural solutions that could be replicated throughout the Region. The Forum not only afforded the participants exposure to new and trending global applications and/or opportunities in agriculture, but also provided workable models for implementation within CARICOM Member States. The Forum allowed for, among other things:

- Member states to become more exposed to and aware of new and emerging opportunities in global agriculture in relation to food safety and food systems, technological solutions, resilience building and agribusiness; and
- Creating stronger linkages between the private sector and regional agricultural policy makers.

The CARICOM Regional Planners Forum has been an integral component of Regional agriculture planning and development and serves as one of the major platforms for policy formulation. The main objective of the Planner’s Forum, as conceptualised by the Secretariat, was to provide a neutral platform for stakeholders to advance discussions and build consensus on matters of importance to Regional agricultural development. The Forum, thus, provides an opportunity for agreement on the Regional direction on agricultural policies, and contributes to the development of initiatives and programmes that capitalize on available opportunities within the sector, while addressing existing, imminent and emerging challenges.

The theme of “Capitalizing on the New Frontier in Global Agriculture” was not only instructive but also timely as it offered an opportunity for CARICOM Member States (MS) and Development Partners within the Region to promote sustainable agricultural development and address the challenges in achieving these agricultural development goals. Through the various discussions and presentations, stakeholders and industry leaders were able to explore emerging sustainable, market-led agricultural initiatives that are of critical importance at the national and regional levels.

The Forum also provided opportunities to identify approaches to combat Climate Change, explore climate financing in agriculture and disaster risk reduction, building sector resilience, promoting trade through food safety and standards and creating nutritionally relevant food systems within CARICOM.
The major highlight of the Forum was the private sector-led business-to-government (B2G) exchange on the areas offering Regional investment opportunities in agribusiness, such as hemp, cannabis, climate smart agriculture and the introduction of agricultural digitalization as a business model. This intervention provided a platform for addressing key challenges being faced by both small and commercial producers, including farmers and fishers.

The stakeholders reaffirmed their commitment to building strong local, regional and hemispheric partnerships (particularly South-South Cooperation), incorporating innovative approaches and fostering inclusive development, to offer enhanced agricultural opportunities throughout the Region.

Some of the main recommendations emanating from the forum were the following:

**Cannabis and Hemp Development:**
- Prioritize the investment that is being targeted in the Hemp and Medical Cannabis industry to ensure that it is beneficial to its citizens and its economy;
- Enact legislative changes at the national and regional levels before finalizing investments in the Cannabis and Hemp industry.

**Regional Agribusiness Development:**
- The need for the creation of a Regional cross-border investment mechanism;
- The need to work with the current business climate and re-invest in the Region to unlock its growth potential, instead of waiting for an ideal climate;
- The need for greater transparency for trade facilitation and the reduction of non-tariff barriers.

**Climate Smart Agriculture**
- The establishment of a “Centre of Excellence” supported by all development partners, which would be aimed at introducing ICT/Digitization in agriculture. This would be inclusive of new tools and equipment which can be deployed throughout the Region.

**Youth and women involvement in agriculture:**
- Creation of a Regional Youth and Women Agricultural Fund;
- Implementation of an Agri-mentorship programme;
- Development of a regional platform and agribusiness incubator for youth and women to share information and best practices.

During the Eighty-First Special Meeting of the Council for Trade and Economic Development (COTED) - Agriculture, held in Belize City, Belize, on 4 October 2019, CARICOM Ministers with responsibility for agriculture made a clarion call for the implementation of measures to eliminate the chances for the spread of the dreaded African Swine Fever in Pigs and the Fusarium Wilt of Bananas, Tropical Race 4 (TR4), in bananas entering the Region.

CARICOM Member States were mandated to implement specific prevention and detection protocols with respect to the actions that individual countries of the Region of the Americas and Caribbean should take to prevent and limit the possibility of the entry of African Swine Fever as well as the Tropical Race 4 diseases into the Region.

African Swine Fever has been having a near deleterious effect in Asia and some parts of Europe and remains a real threat to the Pig population across the
world. Similarly, Tropical Race 4, which has no known corrective treatment, if introduced has the potential of wiping out the entire banana population of the Region. The disease was detected in Columbia earlier in the year.

**CARICOM Sugar Ministers Review Plantation White Study**

CARICOM Sugar Ministers received and reviewed a number of recommendations from the Region’s sugar stakeholders on the future and the strategic direction of the industry. The Minister’s also received the results of the independent study on the substitutability of plantation white sugar for refined sugar in regional manufacturing that was conducted through the support of the Caribbean Development Bank (CDB), and which essentially examined whether regionally produced plantation white sugar was a suitable alternative to imported refined sugar in the various manufacturing processes occurring regionally.

These deliberations took place during the 81st Special Meeting of the Council for Trade and Economic Development (COTED) - Agriculture held on October 4, 2019, in Belize City, Belize. The matter is expected to be further discussed by CARICOM Trade Ministers at the upcoming 49th Meeting of the Council for Trade and Economic Development (COTED) which will be held in Georgetown, Guyana, from November 18-19, 2019.

It has been recorded that trade among the islands in the Caribbean dates back to pre-colonial times. This trade intensified in the period after emancipation and it was observed that towards the end of the 1960’s there was a rapid growth involving products such as rice, coconut oil, fruits, vegetables, ground provisions and petroleum.

The increase in inter-island trading in the 1960’s was mainly due to government policies in the Region which promoted the establishment of regional integration schemes such as the agricultural marketing protocol. There was a decline in agricultural trade in the 1970’s and the beginning of the 1980’s due to challenges in regional cooperation, combined with others such as the economic crisis, the decrease in agrarian production for export and increased international competition. The geographical area for the regional movement of cargo at the time included Martinique, Dominica, Saint Lucia, Barbados, Saint Vincent and the Grenadines, Trinidad and Tobago and Guyana.

The primary mode of transportation of agricultural goods is via sea transport. Trade is reportedly conducted largely via inter-island schooners between the smaller ports of the Eastern Caribbean as well as between these and the larger territories such as Trinidad and Tobago and Barbados. This included both refrigerated and non-refrigerated cargo. The types of refrigerated cargo which were transported included goods such as vegetables, fruit and nuts, citrus products and melons, meat, animal and dairy products, honey and other edible products, as well as fish and crustaceans.

In addition, the non-refrigerated trade included goods such as beverages, spirits and vinegar, coffee, tea, mate, spices, sugars and sugar confectionary, preparations of cereals, flour, starch or milk, as well as oil seeds and oleaginous fruits.

While a myriad of issues need to be addressed in order to boost the Region’s agricultural output, a number of studies have highlighted the importance of increasing the efficiency and effectiveness of the transportation network in support of that sector.

**TRANSPORTATION INFRASTRUCTURE**

Countries within the CARICOM Region rely on liner shipping vessels or aircraft to trade goods with extra regional markets especially the perishable goods sector of the agro food industry. However, for inter-regional trade, movement of cargo is via what is termed the ‘schooner network”, and mainly includes countries within the Organization of Eastern Caribbean States.
The vessels which provide informal traffic or non-
regular shipping services within the Region are normally
converted fishing boats, small Roll-On Roll-Off (ro-ro)
ships and supply vessels, few of which provide product
dedicated services.

Goods are also transported between the islands via the
‘huckster trade’. This occurs where farmers sell their
produce to intermediaries, referred to colloquially as
‘hucksters’, who then ship the cargoes to the
destination country, usually via air, and upon arrival will
be taken to the local market where the produce are
then sold. Others also engage shipping agents to
handle the customs formalities and to arrange the
movement of cargoes and payment.

The study also noted that the arrangements, as it
relates to the shipping of cargo, are also largely
informal, as the tariffs, available capacities, types of
acceptable cargo and shipping schedules, including
expected delivery dates, are generally not advertised.

Consignees who wish to move cargo from one island to
the next must also rely on their own informal attempts to
establish contact with local agents at the respective
ports of call. This involves showing up at the wharf with
the cargo for export and paying the cost of transit upon
loading. Transport costs were also found to comprise a
large share of the cost of total exports from the Region,
which has implications for the competitiveness of these
products on the international market. The average cost
of shipping a twenty (20) foot container from CARICOM
countries was estimated at US$1,006 in 2014 with the
highest cost of US$1,580 associated with the movement of cargo from Jamaica.

In contrast, the cost to export a 20 foot container from
the US was US$1,224 while for the EU it was
US$1,042. This high cost of transport presents a barrier
to those micro, small and medium enterprises who are
operating businesses in the Region and desirous of
expanding their operations regionally and
internationally. This situation is further exacerbated
since in most cases they have to pay for the cost of
shipment of an entire container, even though their
products may only fill a portion of the container.

Freight costs, however, do not represent a significant
obstacle for those moving produce via inter-island
schooners. For example, the cost to ship a box from St.
Vincent and the Grenadines to Trinidad and Tobago as
well as from St. Vincent and the Grenadines to
Barbados was reported to be US$3 while bags/sacks
were US$5, which allows the regional market to be
more accessible for small farmers and traders. However,
for agricultural goods destined for extra
regional markets, freight costs have been identified as
the most burdensome.

Interestingly and relatedly a 2012 paper, entitled “The
Caribbean Maritime Transportation Sector: achieving
sustainability through efficiency”, highlighted that the
question of who trades what and with whom also
depends on the ability to deliver the goods to the
market. A determining factor for trade competitiveness
is, thus, transport connectivity which is defined as
access to regular and frequent transport services. According to the liner shipping connectivity index (LSCI)

### Table 1: Register of Schooners Operational in CARICOM, including cost of service

<table>
<thead>
<tr>
<th>Name of Vessel</th>
<th>Schedule</th>
<th>Origin Destination</th>
<th>Capacity</th>
<th>Cost of Service (Stated Currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MV Admiral Bay II</td>
<td>Weekly</td>
<td>St. Vincent and the Grenadines</td>
<td>Barbados Gross: 494 Net: 148</td>
<td>Boxes: $8.00 EC Bags/Sacks: $14.00 EC</td>
</tr>
<tr>
<td>MV Admiral Bay III</td>
<td>Weekly</td>
<td>St. Vincent and the Grenadines</td>
<td>Trinidad Gross: 318 Net: 105</td>
<td>Boxes: $8.00 EC Bags/Sacks: $14.00 EC</td>
</tr>
<tr>
<td>MV Antia P.</td>
<td>Weekly</td>
<td>St. Vincent and the Grenadines</td>
<td>Barbados</td>
<td>$22.50 US per tonne</td>
</tr>
<tr>
<td>MV Persia II</td>
<td>Weekly</td>
<td>St. Vincent and the Grenadines</td>
<td>Trinidad Gross: 146</td>
<td>Price ranges between Manifested and none Manifested packages $40.00 USD per tonne/ per cu. ft. (Whichever is greater)</td>
</tr>
<tr>
<td>MV Togetherness</td>
<td>Charter</td>
<td>St. Vincent and the Grenadines</td>
<td>St. Maarten Gross: 16</td>
<td>Negotiated Price</td>
</tr>
<tr>
<td>MV Scotty sky</td>
<td>Fortnightly</td>
<td>St. Vincent and the Grenadines</td>
<td>St. Maarten and Tortola</td>
<td>N/A Barrels: $65 USD Boxes: $3.25 cu. ft. Pallets: $200.00 USD Tonne: $150.00 USD</td>
</tr>
<tr>
<td>Galaxy I</td>
<td>Charter</td>
<td>St. Vincent and the Grenadines</td>
<td>N/A N/A N/A</td>
<td></td>
</tr>
<tr>
<td>MV AddieK</td>
<td>Weekly</td>
<td>St. Maarten</td>
<td>St. Kitts, Dominica, Antigua, Tortola, BVI</td>
<td>18,000kg Cold Storage available N/A</td>
</tr>
<tr>
<td>MV Imanai</td>
<td>St. Kitts</td>
<td>Montserrat</td>
<td>N/A N/A</td>
<td></td>
</tr>
<tr>
<td>MV Henlee</td>
<td>Weekly</td>
<td>Dominica</td>
<td>St. Kitts from Dominica</td>
<td>200 tonne N/A</td>
</tr>
<tr>
<td>MV Lady Abigail</td>
<td>Weekly</td>
<td>Dominica</td>
<td>St. Kitts from Dominica</td>
<td>N/A N/A</td>
</tr>
</tbody>
</table>
most of the least connected countries are developing countries and a majority of them are small island developing states (SIDS), which includes those within the Caribbean. In 2010, the three (3) least connected Caribbean ports were found to be Antigua and Barbuda, the Cayman Islands and Dominica.

According to the publication entitled “Review of Maritime Transport”, 2018, the most connected country was China, at 187.8%. Among the least connected countries and territories were once again Antigua and Barbuda and Dominica, but these were also joined by St. Vincent and the Grenadines and St. Lucia.

In 2016, The Bahamas was recorded as having the highest connectivity (27.6%) followed by Jamaica (20.05%) and Trinidad and Tobago (17.3%). The least connected ports in the Region were Dominica, St. Kitts and Nevis and Grenada. Consequently, connectivity remains a critical factor in the context of export competitiveness, particularly in industries where acute attention is paid to ‘just in time’ deliveries to the final consumer.

The facilities at the ports servicing the inter-island schooner trade in Dominica, Grenada, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines as well as the CARICOM Jetty in Trinidad and Tobago and CARICOM Wharves in Jamaica, contain only an open shed and no cold storage capacity for holding goods awaiting export or those items which are awaiting receipt by the importer. There is the need for adequate cold storage facilities with adequate air circulation and sufficient cooling capacity for fresh chilled and deep frozen products.

CASE STUDY – ST. VINCENT AND THE GRENADINES

The Caribs in St. Vincent and Grenadines used to trade ground provisions and tobacco to Martinique before the end of the 17th century and later on to different British islands. St. Vincent and the Grenadines exports agricultural produce both extra and intra regionally. Its largest markets for primary agricultural crops such as bananas, coconuts and arrowroot are the United Kingdom and Canada. Intra-regionally St. Vincent and the Grenadines’ exports are limited to ground provisions vegetables and fruits produced by small farmers.

Presently, there is a ongoing trade between St. Vincent and Grenadines and Trinidad and Tobago. For example, one day per week, schooners proceed southward with the main food crops. The return journey from Trinidad mostly includes agricultural produce, light manufactured goods, personal effects, small scale industrial products and construction material.

Transport by boat, however, presents some difficulties. In the case of huckstering between Saint Vincent and the Grenadines and Trinidad and Tobago, the traders have to travel by air and ship their goods separately by boat. In addition, the voyage duration not only includes the time spent at sea, but also includes port calls. It has been reported that these stops at ports are often longer than necessary due to the low berthing priority accorded to these smaller vessels by port officials.

Because the hucksters deal with perishable goods and they depend on fixed days and time schedules for the shipment of their goods, they have to make very tight arrangements with farmers, truck drivers and all others involved.

THE WAY FORWARD

A number of studies conducted within the last five years have advanced a number of recommendations in relation to the enhancement of the transportation system within the Region. The importance of reliability and predictability have been emphasised. The 2017 IDB Study entitled “A short sea shipping network model for the Caribbean” analysed the shipping industry in the Caribbean and identified policy and investment recommendations for the improvement of the quality and frequency of short sea shipping networks in the Region. A number of scenarios were examined which included the introduction of standard Load-On Load-Off (lo/lo) ships serving the Eastern Caribbean in a South-North direction.

In 2016, the consultancy on the development of business facilitation mechanism in CARICOM – final Report - ‘an examination of and proposals for improving transport and logistics for intra-regional agricultural trade’ highlighted that the inter-island schooner traffic remains important for transportation of fresh produce. Therefore, it is critical that there be an upgrade of the schooner vessels which may require retrofitting to accommodate both container and break-bulk. Undoubtedly there is a need to enhance the
transportation network particularly for the movement of intra-regional cargo.

It is important to note that transportation is a private sector driven activity. However, it appears that there is a resurgence of interest by the Governments of the Region in the feasibility of the implementation of a regional ferry service. In the 1960’s the Governments were directly involved in the provision of this service. Given the existing economic environment, a more feasible option may be a private/public sector partnership whereby the regional Governments provide the facilitatory and enabling environment for the operators and/or owners of vessels who continue to be committed to the provision of this vital transportation link among the islands of the Eastern and Southern Caribbean.

The Services sector of the CARICOM Single Market and Economy (CSME) stretches from as far south as the Republic of Suriname to as far north as the Republic of Haiti, and as far east as Barbados to as far west as Belize. It covers over 250,000 square miles of sea and is inhabited by more than 16 million consumers and suppliers.

The data collected and published in Member States point to the Services sector being the largest and most important sector within the CSME, representing the Region’s best chances for economic resilience and sustainability. On average, the sector accounts for more than seventy-five percent (75%) of total employment, of which almost half are females, as well as sixty-six percent (66%) of total output. It also generates a trade surplus in relation to the total value of exports vis-à-vis the total value of imports, which contributes to a reduction in the size of the Region’s overall trade and Balance of Payments deficits, which have been persistent due to rising imports of goods while exports continue to stagnate.

It is for these reasons that the Community commissioned the preparation of seven regional strategic plans and implementation plans in the following sub-sectors: Professional Services, including the Single Registration of Professionals within the CSME; ICT Services, including the financial inclusion and trade facilitation of MSMEs through the postal network; Health and Wellness Services; Cultural and Entertainment Services; Sporting Services; Education Services and Tourism Services. These plans are expected to be rolled out over a five-year period, in the first instance, from the second quarter of 2020, and entail Member Governments putting in place the requisite legislation, incentives, and human resources, while at the same time, the private sector would be encouraged to invest in the necessary financial and technological resources.

Potential Opportunities from Services Sector Development

The implementation of these sector strategies and implementation plans will generate significant benefit for the private sector as well as private individuals seeking to supply their services throughout the Region. In relation to Professional Services it is expected that there will be a more seamless movement of the more than 5000 registered professionals who provide a wide range of services within the CSME, and the creation of Centers of Excellence, especially in the Health and Wellness sector, will provide specialized services at international standards. Both regional and extra-regional consumers stand to benefit from these services, and insurance companies also have an opportunity to form joint ventures and international networks providing cover for such services, thus allowing the Region to earn and retain foreign exchange.

Enabling the provision of ICT services will also create a more attractive environment within the CSME which nurtures IT start-ups and produces IT professionals to fill both regional and international demand for such skills and expertise.

The strategic plan for the Cultural and Entertainment Services/Creative Industries is also expected to increase the availability of financing facilities and a robustly accessible incentive scheme for the hundreds of thousands of persons involved in this sector, most of them informally. This will serve to unlock opportunities for creatives in obtaining financial support to assist in showcasing their talents at home and abroad, and ensuring that these professions become more
economically viable and attractive.

The focus on Health and Wellness Services will also assist with the creation of privately-driven Centers of Excellence across the CSME, in which specialized medical care is provided to both Community nationals and foreigners. This will create further opportunities in the area of health tourism, which would complement the Region’s traditional tourist market, while creating new streams of incomes for the Region’s health care providers.

Under the strategic plan for Sporting Services, there will also be a re-focused sporting sector which embraces the ethos of “Sports as a Business” and which elevates indigenous sports to the regional and international level. Opportunities will, therefore, become available for sports managers, particularly investment and talent managers, and related auxiliary services to sportspersons such as sport-related diagnostic services and facilities and professional training academies. In addition, a well-structured sporting sector will create marketing and branding opportunities which have further commercial potential and applications.

In relation to Education Services (Trade in Tertiary Education Services), it is expected that the new strategic plan for the sector will encourage the further maturation of the sector, which is supply driven, positioning it to provide its services to both regional and international consumers by empowering the sector to respond to the needs of students in the twenty first century. The prospects for the trade in tertiary education services is likely to include increased opportunities for inter-disciplinary studies, relying on the unique historical and cultural experiences within the Caribbean, as well as for the study of the effects of climate change and other geopolitical issues. The strengthening of the sector will also serve to enhance the Region’s human capital development, which is an imperative for economic growth and development.

The Tourism Services sector is perhaps the one with greatest reach into the marginalized and disadvantaged communities, and whose providers are also highly trained and endowed with specialized skills. The sector therefore holds tremendous transformative power by unlocking opportunities for vulnerable communities and groups within the society, through the mainstreaming of their access to employment and further training. The development of this sector can therefore produce a triple win in relation to its overall potential contribution to social order, the provision of decent employment and wages as well as being an additional avenue for the advancement of human capital development.

The need for greater collaboration and coordination

Implementing the strategies will be an involved and complex endeavour. When these strategies were being conceptualized, it was proposed that national Coordinating Committees be established, comprising representatives from each sector. These Committees must, therefore, be urgently established and the private and public sectors mobilized. A chat room will also be created to share ideas and strengthen the proposals.

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Mitigating the Impact of Climate Change and Natural Disasters: Challenges for Developing Countries

At the recent UN Climate Action summit held on 23 September 2019 in New York, the U.N. Secretary General António Guterres noted that “the Intergovernmental Panel on Climate Change had predicted that any temperature rise above 1.5 degrees will lead to major and irreversible damage to the ecosystems that support us.” More importantly, scientists have long acknowledged that climate change has increased the frequency and severity of natural disasters. During the period 2005 to 2015, there were 335 weather related disasters annually across the globe, almost twice the number observed between 1985 to 1994. It is estimated that natural disasters push some 26 million people into poverty each year.

The IMF has acknowledged that managing natural disasters are a “macro-critical challenge” for developing countries because of the far-reaching impact of these events on fiscal resources, economic growth and development. Natural disasters can adversely impact the viability of economic sectors such as agriculture, fisheries and tourism and cause significant damage to infrastructure. In the wake of a hurricane, thousands are also likely to remain without proper shelter, power or adequate access to food and clean water. The fiscal cost of reconstruction may have an adverse impact on
social investment, which may in turn, prevent these countries from realizing their commitments to the 2030 Agenda for Sustainable Development Goals (SDGs).

Impact of Natural Disasters and Climate Change on the Caribbean

CARICOM Member States are particularly vulnerable to weather related events such as hurricanes, excess rainfall and flooding, although the region is also negatively impacted by drought, accelerated sea level rise, coastal erosion and other natural disasters. In 2010, Haiti was devastated by a major earthquake, which caused approximately US$7 – $8.5 billion in damages, according to the Inter-American Development Bank (IDB).

In 2017, the Caribbean was devastated by Hurricanes Harvey, Irma and Maria. Hurricane Irma destroyed 95 percent of homes in Barbuda and ravaged St. Maarten, Anguilla and the Virgin Islands. Hurricane Maria devastated Dominica, destroying more than 80 percent of infrastructure and severely damaged the electricity grid in Puerto Rico, leaving its 3.4 million citizens without power. In September 2019, the Abaco and Grand Bahama Islands in The Bahamas were hit by Hurricane Dorian, a Category 5 Hurricane, the strongest recorded Atlantic hurricane to ever make landfall. It is estimated that over 30 lives were lost and over 13,000 homes were damaged (approximately 45 percent of housing stock on both islands).

The table below provides a snapshot of the substantial damages caused by hurricanes in the Caribbean.

<table>
<thead>
<tr>
<th>Country</th>
<th>Hurricane</th>
<th>Year</th>
<th>Estimated Damages as a % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominica</td>
<td>Maria</td>
<td>2017</td>
<td>225</td>
</tr>
<tr>
<td>Dominica</td>
<td>Erika</td>
<td>2015</td>
<td>96</td>
</tr>
<tr>
<td>Grenada</td>
<td>Ivan</td>
<td>2004</td>
<td>220</td>
</tr>
<tr>
<td>St. Kitts and Nevis</td>
<td>Georges</td>
<td>1998</td>
<td>125</td>
</tr>
</tbody>
</table>


Assessing the Effectiveness of Disaster Finance Mechanisms in the Caribbean

Private Insurance

Insurance helps to mitigate losses resulting from natural disasters by providing some protection to income, assets and property and by ensuring immediate liquidity and financial support during the recovery and reconstruction phase. Climate risk insurance can be provided through direct or indirect insurance. In the case of direct insurance, individuals and small companies may insure themselves against events. On the other hand, indirect insurance is provided when the government self-insures or participates in a risk pool with other countries. The effectiveness of insurance is undermined by the fact that a large number of persons and businesses in developing countries are either uninsured or underinsured.

Over the period 1980 to 2017, the global protection gap (that is the difference between economic costs and insured losses) was reported to be approximately 55 percent while for the Caribbean the protection gap averaged 66 percent. It is estimated that the 2017 hurricane season caused the Caribbean countries over US$32 billion in losses, of which US$5 billion were insured losses, representing a protection gap of more than 80 percent. The protection gap for small States is expected to widen over time as they face higher reinsurance costs due to rising premiums. In addition, disaster risks may become uninsurable in the future as reinsurers face limits to insurance coverage as a result of ever-increasing claims.

In the Caribbean, the private insurance market remains under-developed and has proved to be inadequate in mitigating the economic costs associated with natural disasters and climate change. The under-development of the private insurance market is attributed to inter alia the over-reliance on global reinsurers to underwrite local risks; high premiums; outdated legislation, which impedes the employment of effective investment and asset allocation strategies; low product innovation and a weak risk culture.

II. The Caribbean Catastrophe Risk Insurance Facility

Following the passage of Hurricane Ivan in 2004, CARICOM Governments sought the assistance of the World Bank to develop a mechanism to offer disaster risk protection to the countries in the Region. The Caribbean Catastrophe Risk Insurance Facility (CCRIF) SPC was established in 2007 and is hailed as the world’s first multi-country risk pool based on parametric insurance.

The CCRIF was developed by the World Bank, with a grant from the Government of Japan and capital
contributions from the government of Canada, France, the United Kingdom, Ireland, Bermuda, the European Union as well as the participating governments. In 2014, the World Bank established another Multi-Donor Trust Fund to assist the CCRIF in re-positioning itself to expand its coverage to Central American countries.

The CCRIF which operates as a not-for-profit captive insurance company was restructured into a segregated portfolio company (SPC) in order to broaden its geographical reach and insurance products and was renamed CCRIF SPC. Subsequently the membership of CCRIF increased to 22 Members (19 from the Caribbean and 3 from Central America).

The CCRIF SPC offers insurance coverage for earthquake, tropical cyclone and excess rainfall. The CCRIF facilitates a payout within 2 weeks of the event and therefore performs a critical role in providing short term liquidity to the affected country. During the period 2007 to 2017, the CCRIF disbursed US$130.5 Million to 13 member governments. In 2017, payments of approximately US$61 Million, amounting to 46 percent of total payouts for a 10-year period, were made to ten (10) Members as a result of Hurricane Irma and Hurricane Maria.

However, the coverage provided by CCRIF is very low and is estimated to be about 2.5 percent of the expected national losses for most Members. In 2017/2018 policy year, the CCRIF introduced the Aggregated Deductible Cover (ADC), which seeks to reduce the probability of a missed payment where a country has experienced losses but these may not trigger a payment based on the parametric model.

The CCRIF is seeking between US$250 million and US$400 million to support the scaling up of initiatives over a 3-year period. The funding will be used in scaling up the CCRIF’s activities with respect to offering new products, increasing coverage levels (at least to the 25% target) among existing Members and adding new Members to the segregated portfolios.

**Strategies to Build Financial Resilience to Disaster Risk**

The IMF has recommended that countries should seek to build resilience in three key areas – structural, financial and post-disaster/social resilience. Recent studies have shown that investment in ex ante resilience strategies can potentially reduce reconstruction costs by as much as 10 percent of the recipient country’s GDP.

These are savings that flow directly to donors that usually bear the burden of reconstruction as well as governments of the affected countries. The IMF, the World Bank and other IDPs have recommended that countries develop comprehensive disaster resilience strategies. Developing countries, particularly small States, are encouraged to integrate national disaster planning into macroeconomic programming and budgetary processes.

In respect of building financial resilience, CARICOM Governments should adopt a comprehensive strategy that seeks to identify, monitor and transfer disaster risk through the use of appropriate insurance products, capital market solutions and other financial instruments. In order to build an effective financial resilience framework, CARICOM Governments need to pursue a series of reforms including, inter alia –

- **Building capacity in disaster risk management** and mainstreaming disaster risk management considerations into national budgets and macroeconomic programmes;

- **Promoting the development of efficient domestic insurance markets in the Community.** Reforms should promote product innovation such as crop insurance, flood insurance and microinsurance and seek to build capacity in underwriting, risk management;

- **Prioritising the recapitalisation of CCRIF** to allow it to expand membership and coverage;

- **Developing a national property insurance mechanism** to provide affordable insurance for commercial and residential buildings. This initiative can be developed through a public-private partnership;

- **Developing efficient domestic capital markets** to mobilise funding for climate adaptation projects and for reconstruction;

- **Utilisation of international capital market solutions** such as Catastrophe Bonds and Resilience Bonds;
Increasing the use of sovereign state contingent debt instruments (SCDIs). The SCDIs are designed to alleviate pressure on sovereign indebtedness and/or financing needs when an event occurs. In 2015, Grenada became the first country to introduce a natural disaster clause termed a “hurricane clause” in its restructured bonds. Recently, Barbados became the second Member State to utilise a “hurricane clause” in its restructuring of external debt;

Increasing the use of financing facilities launched by IFIs and IDPs to manage climate change and natural disaster related shocks. These facilities include the Global Risk Financing Facility, the Green Climate Fund and the UN ECLAC Debt Adaptation Swap Initiative. CARICOM Governments typically have a low participation in these facilities because they may not have a ready pipeline or may be unaware of the facilities.

Increasing access to concessional financing for post-disaster reconstruction. Although the IFIs provide concessional facilities to low income countries and small States under certain conditions, Member States should continue the advocacy for middle income countries to be provided with access to concessional financing, especially after a natural disasters or climate change events;

Promoting financial literacy and public education about investment products associated with climate change adaptation measures and disaster risk mitigation measures to encourage the participation of institutional investors.

Way forward

The United Nations in a 2016 Report noted the financing gap in implementing climate change adaptation measures in developing economies. The financing gap was reported to be about US$73 billion, which was on average 2-3 times higher than available financing. The financing gap is expected to be significant for developing countries.

The focus of the Region’s financial resilience strategy should be to reduce the call on the fiscal purse, achieve more effective cost-sharing with the private sector and to promote sustainable methods of financing disaster risk mitigation and recovery. To this end, CARICOM Governments should develop a national disaster resilience strategy that is comprehensive, multi-faceted and promotes engagement with stakeholders in the public and private sector within the domestic and international community.

The CSME and You: Status of CSME Implementation

In a series of consultations held in June 2018, in Georgetown, Guyana, and more recently in November 2019, Barbados, regional stakeholders have confirmed that the CARICOM Single Market and Economy (CSME) remains the best viable option and platform to enable the Caribbean Community (CARICOM) and its nationals to achieve their goals of sustainable growth and development.

Work, therefore, continues in relation to the strengthening of the framework for the CSME. CARICOM has taken steps to further the implementation of the measures under the CSME. The Conference of Heads of Government in July 2017, approved the Implementation Plan for the CSME 2017-2019 which coincides with the CARICOM Strategic Plan (2015-2019).

The Plan is a comprehensive document which details the level of implementation of measures called for by the Revised Treaty of Chaguaramas (RTC) or decisions taken by Community Organs. The Plan is under constant review by the Council for Trade and Economic Development (COTED) and Member States are required to submit regular updates on progress made as well as challenges faced in implementing their obligations under the RTC.

The CSME comprises three interwoven and interdependent components that should be considered as a whole, with the single market infrastructure and the macro-economic framework providing the single space and support for competitive and increased production for domestic, regional and extra-regional markets. The various elements of the CSME include:

⇒ Sector development policies and strategies, with specific focus on Agriculture, Export Services, Transportation, Tourism, ICT, Energy and SMEs.

⇒ The single market infrastructure, which includes –
The five Free Movement regimes. That is, the free movement of goods, services, skills, capital and the right of establishment, along with their related legislative and administrative arrangements;

- Competition Policy and regulations, consumer protection, transfer of Social Security Benefits, protection of Intellectual Property with the latter still to be determined;

- On-line Registry, Single Jurisdiction, CAPS, CARREX, Complaints Procedure, LMIS as some of the support measures to be put in place;

- Contingent Rights, Public Procurement, E-commerce, Free Circulation and Free Zones as the Built-in agenda that is still to be completed.

The macro-economic framework, which includes –

- Investment Code and Incentives Regime, Revised Double Taxation Agreement, CARICOM Financial Services Agreement, Risk Management Framework for Fiscal Sustainability which have been developed and are yet to be finally agreed;

- Integrated Capital Market, Currency Convertibility, Deposit Insurance System, Regional Credit Information Sharing where for the most part, the technical work has been completed.

The Treaty requirements for the different elements differ. The single market infrastructure is mostly about removing restrictions and about rights and obligations. The establishment of the macroeconomic framework speaks mostly to the development, coordination and harmonisation of policies, while the sectors relate to developing policy frameworks and strategies for increasing production and output. So where are we now in terms of implementation? What follows provides a summary update on the status of implementation of the five Core Single Market Regimes.

GOODS

The free movement of goods predated the RTC and the 2006 declaration on participation in the Single Market. The Free movement of goods is captured in Chapter five (5) of the RTC on Trade Policy. The goal of the Community Trade Policy is specified in Article 78 to be sustained growth of intra-Community and international trade, and mutually beneficial exchange of goods and services among the Member States and between the Community and third States.

The free movement of goods is the oldest and the most mature of the core CSM arrangements. The core measures have been implemented and for the most part the Regime is working. However, concerns still exist which may lead to trade disputes including:

- The non-application of the CET to extra-regional imports of goods which compete with similar CSME originating goods;

- The application of Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) type measures, which potentially inhibit or otherwise obstruct the entry of CSME originating goods (these include the Prohibited Lists/Import licensing Systems); and

- The maintenance of unauthorized taxes and other charges on specified goods of Community Origin.

SKILLS

The movement of Skilled Nationals is captured in Chapter Three of the Revised Treaty and more specifically in Articles 45 and 46. An extremely important part is also captured under the built-in-agenda of the RTC, which is found in Article 239. The movement of skills or skilled nationals regime required the Community to negotiate and develop a protocol on Contingent Rights, which are the attendant rights that these individuals must have, such as special provisions for spouses and children of skilled nationals, in order to facilitate and encourage their movement about the Community. This Protocol has been successfully completed.

The five original categories of skilled nationals enshrined in the Revised Treaty have been granted the right to work in all Member States without a Work Permit. For the five newer categories approved by the Conference of Heads of Government, compliance varies across the Membership. In addition to these ten categories, the Conference, in December 2018, further agreed that Agriculture Workers and Security Guards are also to be added to the list of categories of persons
that have the right to move and work without a work permit. Member States have to ensure that the movement of these categories is facilitated by December 2019 while the legislative framework should be in place by July 2010. Work is, therefore, ongoing in that regard.

SERVICES

The Free movement of services is another regime that is provided for in Chapter Three of the RTC, entitled Establishment, Services, Capital and Movement of Community Nationals. Article 36 of that Chapter calls for the prohibition of new restrictions on the provision of services, while Article 37 calls for the removal of restrictions on the provision of services. Like the free movement of skilled persons, the free movement of services is a significant matter, moreso because of the weight of services in the overall productive output of the economies of CARICOM Member States, as well as the direct connection of this regime to the other regimes for the free movement of people and the right of establishment for commercial purposes. The services sector is also essential to the production and movement of goods, as both of these economic activities are replete with services related activities.

In terms of the legislative framework, Member States have taken important steps to significantly liberalise individual services, service industries and services sectors in a response to the mandates of the Revised Treaty. Liberalisation of services has succeeded in part because of the Implementation of the Programmes for the Removal of Restrictions (The Programmes) which were agreed by the Thirteenth Inter-Sessional Meeting of the Conference in 2002. Noting the significant progress made under the Programmes for the Removal of Restrictions the immediate focus under this Regime should be on the removal of identified restrictions and institutionalizing a framework that facilitates the ease of doing business for service providers and consumers of these services.

ESTABLISHMENT

The Right of Establishment is also captured in Chapter Three of the RTC. An Audit/Appraisal on the State of Implementation of the CSME was conducted 2009 and had established that there were no legal restrictions in place which would inhibit CARICOM Nationals from freely exercising the Right of Establishment through the incorporation/registration processes in Member States and further that there was nothing in the companies’ law and the registration of Business Names Law which would conflict with that.

However, with the exception of one Member State, companies incorporated in a Member State are charged lower fees than companies that register a presence in that Member State but maintain their place of incorporation in another Member State. In at least one Member State, the Companies office has reported that it does not maintain records of ownership of the companies. As such, a company seeking recognition of the right of establishment and the benefits of movement of personnel, among others, would be required to provide that information to the competent authority designated for monitoring the right of establishment for that Member State.

Notably, however, there are laws related to the Right of Establishment that still maintain certain restrictions in some Member States. A review conducted in 2017 has revealed various inconsistencies in the following Laws within the Community: The Alien Landholding Laws, Fiscal Incentive and Investment Acts, Small Business Development Acts, Professional Licensing Acts, and the Labour codes. In addition, the movement of Factors Act is not in place in a number of Member States.

CAPITAL

In relation to the free movement of capital regime, all Member States have agreed to the removal of exchange controls on intra-regional transactions with the exception of Barbados, Belize and Suriname, which retain certain administrative measures for the purposes of monetary stability. For the most part, the exchange control measures retained by Barbados and Belize do not impede the free movement regime and have been sanctioned by the COFAP, subject to advice from the Committee of Central Bank Governors (CCBG).

A monitoring and reporting mechanism was to have been adopted, among other matters, to allow assessments of whether individuals and investors were being facilitated promptly. This has not been developed.
The Economic Development Context/Thrust

The issue of economic development is not new to the regional agenda, as it has been addressed in various Organs of the Community. In 2007 the Conference of Heads of Government adopted a paper entitled “A Framework for Regional Growth and Development in CARICOM”, which set out technical analyses to support the achievement of the CARICOM Single Development Vision (SDV).

This Vision had as its priority objective that of achieving spatially equitable, self-sustaining economic growth based on strong international competitiveness, innovation, productivity and flexibility in the use of resources. The initiatives identified in the SDV included a focus on a “Caribbean Sea Economy”, which would involve the widening of the Caribbean Economy beyond CARICOM to include the Dominican Republic, the Dutch and French islands and French Guiana. It also emphasized the need for both public and private sector investment and macro-economic stability.

Other guiding principles identified included strategies for resource mobilization, the adoption of a stabilization growth agenda, the creation of an environment for private sector investment and competitive production, as well as the pursuit of a regional programme of enhanced public investment to address critical constraints in relation to fostering endogenous growth more generally, but specifically in respect of certain targeted sectors, such as energy, agriculture, tourism, manufacturing, and export services.

While the SDV strategies remain relevant, this Article is intended to assess the current development challenges facing the Region, provide a preliminary analysis of the impact of the Region’s implementation efforts over the recent past, identify some of the key priority issues that are necessary for formulating a regional sustainable development strategy that responds to those challenges and realities, and suggest some useful approaches and policy considerations for the way forward.

Towards a New Development Vision for the Region

Economic development is considered to be the process by which a country or Region improves the economic, political and social well-being of its citizens, and is much deeper than the concept of economic growth, which is merely defined as a general increase in economic output. As a result, economic development may be said to represent a paradigm shift towards an ordering of the economic, political, social and - certainly for the Caribbean – the environmental pre-requisites, which create the foundation for sustained and equitably distributed economic progress.

Like the SDV, the formulation of a new economic development paradigm for CARICOM has to begin with a high level vision for what that development ought to look like for the Region, which would establish the fundamental “must haves” and “things to avoid” that will help us to identify our targeted development experience as well as define the desired characteristics of that experience for the people of the Caribbean.

That vision must also be accompanied by a set of guiding principles for how the Region should go about achieving it, which should then be supported via the identification and prioritization of the consensus policies, strategies and initiatives that must be pursued in order to deliver those outcomes that can assist the Region to collectively attain its economic vision for the future. Before the Region can pursue a new economic development strategy, however, it must first take stock of its current realities.

Contextualizing the Region’s Development Status

The CARICOM region comprises mainly small, open, highly indebted middle income countries, the majority of which are small island developing states (SIDS) with low lying coastal areas. In addition, both by our own metric as well as by internationally agreed definition, almost two-thirds of our membership (representing more than 65% of the population of the Region) is defined as Less/Least Developed Countries (LDCs),
reflecting wide economic extremes with not much of a “CARICOM middle class” at the level of States. With few exceptions, the Region also suffers from high unemployment, low productivity, anaemic/slow growth, high energy costs, undiversified markets and a dependence on external trade, particularly imports, which underpins our predisposition toward high import content production and exports.

In addition, the countries of the Region are classified as structurally weak and vulnerable economies (SWVEs), whose structural deficiencies are determined by a number of different factors. This structural weakness of the Region is primarily underlined by an historic overreliance on primary goods production, and a few low value added productive sectors, arising from its plantation economy structure with its uneven relationship with the metropole. However, it is further complicated by wide structural variations, including across populations and market sizes (10.85 million in Haiti vs. 5,152 in Montserrat), geography (196,849 sq. km in Guyana vs. 102 sq. km in Montserrat) disposable income (Bahamas - US$32,710 per capita GDP vs. Haiti - US$847 per capita GDP), and economic sizes (Trinidad and Tobago - US$21.9 billion GDP vs. Montserrat US$167.5 million GDP).

Added to that is the geographical displacement of the countries and the resulting limited border contiguity, as a collective, which creates a perception of an economic space that is fragmented. Taken together, these represent a significant challenge in achieving regional economic cohesion, which is a necessary condition for the attainment of sustainable economic growth and development. The lack of contiguous borders (with the exception of the Guyana-Suriname border), with its direct and significant implications for economic coordination, as well as the related transportation dynamics impacting the intra-regional trade in goods and services and the movement of people, is an especially critical structural impediment that requires further highlighting. This is so, as its implications extend even to individual CARICOM Member States (such as The Bahamas, Trinidad and Tobago, St. Vincent and the Grenadines, and St. Kitts and Nevis), which must first overcome their internal transportation constraints before being able to tackle the regional one. This transportation issue is also particularly germane to the OECS sub-regional integration arrangement, and consequently to the OECS’ effective participation within the wider CARICOM integration process.

The existing limited interconnectivity and resulting high cost of transportation, thus, pose a particularly difficult challenge for CARICOM, placing it at a comparative disadvantage relative to the wider Latin American and Caribbean region, as well as to more geographically contiguous customs and economic unions with which the Region hopes to compete and trade (e.g., the EU, MERCOSUR, the CACM, SACU, ECOWAS, and COMESA, to name a few).

The transportation conundrum, when viewed through this complex prism, thus becomes more stark, and highlights the need for the pursuit of more deeper and stronger forms of cooperation as may be possible under an integration arrangement, including the regional ideal of functional cooperation, in order to rationalize the cost of establishing and maintaining our institutional requirements and arrangements. This then places the goal of, and the need for, greater production integration (which involves the vertical and/or horizontal integration of production processes throughout the Region), as a development imperative for the Region, into its proper context, with the attendant need for a more closely managed and perhaps even a centrally coordinated system of production and production sharing via Regional Value Chains, in order to achieve success.

The Region’s dependence on imported fossil fuels is also another pre-eminent form of structural impediment facing CARICOM. This has directly impacted the Region’s production efficiency and global competitiveness as a result of the high cost of electricity faced by the commercial sector, which stood at US$0.33 per kilowatt hour (kwh) in 2016 or more than three (3) times the US average of 10.43 US cents.

In addition, the Region’s commercial electricity cost was almost twice the global average of US$0.18 per kwh, and 65% greater than the regional averages for both Sub-Saharan Africa and Latin America and the Caribbean (US$0.20/kwh). This is a particularly critical point to note, as available research indicates that electricity tariffs have a direct impact on firm behaviour, especially for small and medium enterprises, negatively affecting the demand for energy inputs, as well as productivity, and thus directly reducing firm output as the cost of providing electricity increases.

It is, therefore, arguable that due to these structural
impediments, the CARICOM region potentially requires a system of economic and political integration on a scale and level surpassing that of even the EU, if only for the sake of tightly managed and effective organization, the efficient allocation of the factors of production and the equitable distribution of the resulting outputs and economic rents/returns, in order to create a viable socio-economic space for the ultimate benefit and enjoyment of the citizens of the Community.

However, at the same time that CARICOM faces these myriad challenges, its combined natural resource endowment of approximately 433,000 square kilometres of land, places it well ahead of wealthy nations Japan (378,000 sq. km), Germany (357,000 sq. Km), Norway (324,000 sq. km) and even former colonial power - The United Kingdom (243,000 sq. km). This includes over 1.8 million hectares (18,000 sq. km) of arable land, which represents an area that is roughly the size of entire countries such as Fiji (18,274 sq. km) or Kuwait (17,818) and just below that of the State of Israel (20,330 sq. km), for example. When combined with the Region’s significant mineral and fossil fuel resources, the untapped wealth which resides beneath our sea and within our Exclusive Economic Zones (EEZs), as well as our human and intellectual capital, the CARICOM region certainly has the means by which to overcome these challenges.

This, therefore, represents the broad context within which our development paradigm must now be re-imagined so as to advance the Region’s economic growth and development in a sustainable and resilient manner. Focused attention must, therefore, be paid to the factors that are necessary for achieving sustainable economic growth and development, as well as to defining the best strategies by which to take this agenda forward, while identifying and resolving along the way any emerging gaps and challenges in maintaining a consensus regional approach.

**Snapshot of the Regional Economy: Where are we now?**

With over 18 million people, in 2016, CARICOM accounted for less than 3% of the population of the Latin American and the Caribbean region. However, it had a larger population than the Netherlands (17 million), about a third of the population of BRICS nation South Africa, and more than three times the population of Singapore - the usual comparator for the Region. At the same time, the Region’s combined Gross Domestic Product (GDP) of approximately US$75 billion, was just below 1% of total world output, but placed it (as a collective) on par with fast growing countries such as the Dominican Republic (US$72 billion) and Kenya (US$71 billion), and ahead of regional competitors - Costa Rica (US$57 billion) and Panama (US$55 billion). Total regional output, however, only represents just under a third of the gross output of Chile (US$247 billion) and just over a quarter of that of Colombia (US$283 billion). Notwithstanding, the Region’s economic fortune translates into an average per capita GDP of just under US$11,500 (US$9700 for LDCs vs. US$14,100 for MDCs), placing it at the top end of the upper middle income category.

That said, the Region continues to record sub-par performances in the area of growth, which have stagnated over the last four decades and have remained just above 2% in purchasing power parity (PPP) terms, during the period 2001-2016, though real GDP growth for the Region subsequently declined to 1.1% in 2016. This growth outturn, though above the average for the wider Latin America and the Caribbean region (-0.7%), was well below the estimated global average of 3.1% in 2016, placing the CARICOM region below the average for emerging markets and developing economies broadly, and among the world’s poorest performing countries and regions worldwide, such as Sub-Saharan Africa. In addition, while a magnet for investment during the heyday of the new industrialism of the 1970s, the Region has experienced a steady decline in Foreign Direct Investment (FDI), particularly since the global economic downturn, which occurred around 2008/2009.

CARICOM also continues to face very high unemployment rates, which ranged from a low of 4% in Trinidad and Tobago (2017) to a high of 33.5% in Grenada. The average unemployment rate of 12.4% for CARICOM as a bloc (14.9% in LDCs vs. 8.9% in MDCs), was more than twice the world and developing country averages of 5.6% and 5.3%, respectively, as well as in excess of 50% greater than the average for Latin America (8.2%). This shows the stark employment realities that exist throughout the Region, which is further compounded by the fact that vulnerable groups are usually the most affected by the lack of job opportunities, with the share of employment for that group being 42.5% globally. For the Latin American and
the Caribbean region, however, the employment ratio for vulnerable groups was even lower than the global figure at only about a third (32.2%), and was just two-fifths of the level of total employment for all developing countries in 2017.

**Assessing our performance under the CSME and the progress towards sustainable development**

With such poor performance in economic growth and job opportunities, questions remain as to whether the CARICOM Single Market and Economy (CSME), as a development construct, has provided the requisite foundation for achieving its intended results - that of, inter alia, delivering socio-economic progress. Consequently, an assessment of the performance of the Region with regard to the implementation of the relevant CSME regimes, as evidenced by its performance on key trade and development indicators, would be necessary to identify what has been achieved, and thus what remains outstanding, in order to establish a point of reference for re-imagining and perhaps re-strategizing the way forward.

That said, over the period from 1971 to 2009, the average GDP growth rate for the thirteen independent countries of CARICOM (excluding Haiti) has remained low, averaging just 3.4%, based on a simple average, or 2.2% using a PPP weighted average. The evidence borne out by the available data further suggests that, in fact, during the 2001-2016 period of the CSME’s implementation, the average growth rate for the 12 States that were fully implementing the CSME declined overall, from an initial average growth rate of 1% in 2001 to 0.4% in 2016 (See Figure 1).

**Figure 1: Growth in the CSM (2001-2016)**

In addition, an assessment of the intensity of intra-regional trade across CSME participating countries showed that, while the level of trade activity was higher than expected at the commencement of the CSME, the general trend has also been declining (See Figure 2), suggesting that there has been a relative shift away from intra-regional trade, which appears to have stagnated during the period 2001-2016. Consequently, it may be said that the implementation of the trade in goods regime under the CSME has also not delivered on the promise of promoting intra-regional trade, which is a pre-requisite for growing the regional economy.

**Figure 2: CARICOM Intra-Regional Trade Intensity**

Indeed, while the regional economy recorded mostly positive growth during the period between entry into force of the 2001 Revised Treaty of Chaguaramas (RTC) and the effective commencement of the implementation of the CSME in 2006, there was a negative growth trend following the implementation of the free movement of goods regime, though the Region’s poor growth performance during the period 2009-2016 was most likely due to the effects of the global economic and financial crises. Based on this evidence, however, the Region’s efforts in moving towards a single market and economy does appear on the face of it to have lost momentum in fostering an environment for delivering on the promise of regional economic growth.

Finally, and perhaps the most meaningful indicator of the Region’s success in achieving sustainable development is the overall welfare and human development of its people, who are expected to be the main beneficiaries of the regional integration project. However, an assessment, via the Human Development Indicators (HDI), of the Region’s progress in delivering welfare improvement, also suggests that this too has also not been forthcoming. In fact, the participating Members of the CSME produced very anaemic growth
in their respective HDI indices, and between 2001 and 2015, only Grenada recorded a positive change in its HDI ranking, with the picture remaining largely the same even when one takes account of the increase in the number of countries being assessed over the reference period.

Table 3: Human Development Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank (out of 175)</td>
<td>Status</td>
<td>Rank (out of 188)</td>
</tr>
<tr>
<td>Antigua</td>
<td>56 Medium</td>
<td>62 High</td>
<td>-6</td>
</tr>
<tr>
<td>Barbados</td>
<td>27 High</td>
<td>54 High</td>
<td>-27</td>
</tr>
<tr>
<td>Belize</td>
<td>67 Medium</td>
<td>103 High</td>
<td>-36</td>
</tr>
<tr>
<td>Dominica</td>
<td>68 Medium</td>
<td>96 High</td>
<td>-28</td>
</tr>
<tr>
<td>Grenada</td>
<td>93 Medium</td>
<td>79 High</td>
<td>+14</td>
</tr>
<tr>
<td>Guyana</td>
<td>92 Medium</td>
<td>127 Medium</td>
<td>-35</td>
</tr>
<tr>
<td>Jamaica</td>
<td>78 Medium</td>
<td>94 High</td>
<td>-16</td>
</tr>
<tr>
<td>St. Kitts</td>
<td>51 High</td>
<td>74 High</td>
<td>-23</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>72 Medium</td>
<td>92 High</td>
<td>-20</td>
</tr>
<tr>
<td>St. Vincent</td>
<td>80 Medium</td>
<td>99 High</td>
<td>-19</td>
</tr>
<tr>
<td>Suriname</td>
<td>77 Medium</td>
<td>97 High</td>
<td>-20</td>
</tr>
<tr>
<td>Trinidad</td>
<td>54 High</td>
<td>65 High</td>
<td>-11</td>
</tr>
</tbody>
</table>


Consequently, it would be fairly accurate to conclude that the Region has underperformed in the core areas of economic growth, intra-regional trade expansion and socio-economic development, which were the promised results of the regional integration movement.

Economic Resilience Building as a Strategic Priority for Achieving Sustainable Development

It is well understood that in order to achieve sustainable development, countries must first achieve resilience, which, in the case of the Caribbean, requires addressing the sources of our vulnerabilities and deficiencies, which form the core of our developmental challenges, while at the same time overcoming the various structural and systemic impediments which have hampered our economic progress as a Region. In that regard, the United Nations (UN) Sustainable Development Goals (SDGs) represent a comprehensive, holistic, yet achievable approach to development that seeks to incorporate and address the needs of the whole human person, as well as that of the natural and built environment, based on the principles of inclusivity and equity.

However, in order to achieve these ideals, there is need to identify appropriate mechanisms and financing to support their implementation. Therefore, while some support for implementation is expected from international development partners, it is recognized that international trade and proper economic management are the vehicles through which developing countries, such as ours, must finance our own development. It, therefore, follows that the economic systems that are in place in developing countries must be strengthened and empowered in order for us to meaningfully pursue and attain the SDGs, and this requires the formulation of strategies that support both national and regional initiatives that are geared toward achieving economic stabilization and the transition towards growth and development.

While completed prior to the internationally agreed SDGs, the 2015-2019 CARICOM Community Strategic Plan (CSP), adopted by the Conference of Heads of Government of CARICOM in 2014, remains extremely relevant and is the foundation of the region’s economic development strategy, building on, inter alia, the work of the Commission on the Economy, and the Human Resource Development 2030 Strategy. The Strategic Plan identified the achievement of sustainable economic growth and development as a critical objective for the Community, and emphasized that the CSME remains the primary platform for building international competitiveness and economic resilience for the Region, which is one of the key pre-requisites for sustainability.

The economic resilience pillar of the CARICOM Strategic Plan has the primary goal of engendering the sustainable growth of the economies within the Region, by accelerating the implementation of the CSME, achieving greater integration into the global economy, macroeconomic stabilization and building competitiveness in order to unleash the key economic drivers and bolster the transition toward economic growth.

However, a critical success factor in achieving economic resilience lies in the creation of an enabling regional business and trading environment, prudent fiscal management and addressing the critical cost factors to production, such as transportation and energy, guided by appropriate sectoral policies and programmes, which is what the CSME was intended to accomplish.
Intensified Economic Integration for a Resilient and Sustainable Economic Future

Economic Integration is one of the four (4) main pillars of the Caribbean Community (CARICOM). At the 10th Meeting of CARICOM Heads of Government held in Grand Anse, Grenada, in July 1989, Heads declared their intention to deepen the integration process and strengthen the Caribbean Community in order to respond to the challenges and opportunities presented by globalization. The Grand Anse declaration paved the way for the establishment of the CSME, which is enshrined in the 2001 Revised Treaty of Chaguaramas (RTC) that replaced the 1973 Treaty of Chaguaramas on which both CARICOM and the basic structure of the free movement of goods regime were established.

The CSME itself is the full embodiment of the Economic Integration pillar, as enshrined in the RTC, which sets out an ambitious programme of work geared towards transforming the CARICOM region into a single economic space. However, several major elements for the creation of a single regional economic space are still to be addressed. These include work on the revised Double Taxation Agreement, the implementation of a CARICOM Cohesion Policy, currency convertibility, the harmonization of monetary and fiscal policies, laws and regulations, enhanced monetary cooperation, as well as on common external economic policies such as for example a policy on inward investment, which is now being developed.

The main objectives of the CSME, however, remain the creation of a stable macroeconomic and business environment, the full integration of the national markets into a single unified and open market along with the subsequent expansion of that market area, the production of internationally competitive goods and services, and securing the most favourable terms of trade for these goods and services when exported internationally, among other things. This, however, can only be achieved through more intensified efforts toward regional integration.

This calls for the Region to establish more common instruments and support services, more harmonized regulation, and the efficient administration of the internal arrangements of the CSME. In addition, it requires the employment of well coordinated strategies in the Region’s external arrangements, particularly in areas such as external trade negotiations, which has been an area of some amount of success for the Region, as well as coordinated action, where appropriate, on international and regional issues impacting Member States, such as the link between trade and climate change. There is also need for focused attention to be placed on developing regional policies and strategies for achieving increased production, such as that of production integration (which includes Regional value chain development) and the competitiveness of the Region’s exports of goods and services, which occupy immediate attention due to their anticipated impact on the creation of sustainable economies.

There will also be need for further focused attention in relation to the Region’s sectoral initiatives. This includes developing our agriculture value chains, the implementation of a strategic master plan for the development and export of services, increased renewable energy penetration and energy efficiency, a Single ICT Space and a focus on enabling the private sector, particularly the MSMEs, all of which form part of the Region’s core priority sectoral programmes. It is important to recognize that these initiatives are already being pursued at the Regional level, though with varying degrees of success and thus require strengthening.

This notwithstanding, the strengthening and advancement of the CSME demands comprehensive economic policy re-orientation and internal structural transformation, which requires the coordinated action of Member States, based on a principle of mutual cooperation for mutual benefit. How that is to be achieved is a critical focus of this discussion, and what follows next are some of the issues for consideration that may provide guidance on what ought to be the priority development related goals, strategies and overarching vision for the Community, and help to identify a consensus agenda for the attainment of the Region’s economic development goals.

Responding to the systemic and environmental factors shaping the Region’s developmental reality

In re-charting its economic growth and development agenda, the Region must find a way to respond to, or at least identify new approaches and solutions for the range of economic, financial, trade, investment, governance and cross-cutting developmental issues and challenges which it faces. In relation to the economic and financial issues, in particular, there is
need for building competitiveness and unleashing the key economic drivers in order to transition to growth. In addition, building economic resilience requires reforming fiscal incentives and public expenditure rationalization, achieving macroeconomic stabilization and placing a greater focus on financial conformity, including in relation to international monitoring and reporting as well as know your customer (KYC) requirements, particularly for financial institutions.

The trade and FDI dimensions of our response must also include effectively leveraging trade in advancing the Community’s economic development goals, and achieving trade sustainability, including through the exploration of the nexus between trade, climate and biodiversity policies and the trade financing inter-linkages. In addition to these is the need for greater focus on trade facilitation, by simplifying and streamlining border regulations, including SPS-related reforms and eliminating the use of NTBs, as well as the creation of a new framework for trade and investment that can respond to the needs of the 21st century.

Our support for business and the private Sector must also include strategies for effective penetration of global value chains (GVCs), and the promotion of the Region’s more equitable participation in these GVCs. A stronger focus on MSMEs and the need to enhance their role in regional and international Trade is also critical, as is the need for business process reform, particularly in those entities, to ensure their viability and sustainability. In addition, the private sector needs to incorporate more modern practices such as e-commerce and e-procurement platforms, and efforts should be made to reduce the level of informality within the private sector space. The Community’s readiness for the advent of the 4th industrial revolution in the context of generating employment, given the increasing risk of replacement of human labour by technology and automation, is also a key consideration, with direct linkages to the regional imperative of improving productivity.

In relation to the Region’s social resilience, there is need for an enhanced regional Social Security Mechanism to support and strengthen the free movement regimes, while in the area of technological resilience, there is need for greater responsiveness to new and disruptive technologies such as, for example, Artificial Intelligence (AI), Internet of Things (IoT), and Machine Learning (ML). A key underlining platform for the Region’s technological resilience will be the development of a single ICT Space, as well as the development and use of e-Commerce as a catalyst for economic development. The greater use of technology to reduce or eliminate structural deficiencies such as technology penetration, addressing data and roaming charges, and critical consideration being given to cyber terrorism and internet security issues are also important.

A number of political and governance related considerations are also in need of focused attention. These include the development of an approach for better and more integrated planning at the regional level, regional public sector efficiency and effectiveness in service delivery. There is also need for a more equitable distribution of the benefits arising from regional integration among CARICOM Member States, including through the effective implementation of the CARICOM Cohesion Policy and other mechanisms for the provision of special and differential treatment to disadvantaged countries, regions and sectors.

A range of cross-cutting developmental issues and approaches will also need to be addressed, and these include addressing the impact of crime, and the development of a forward looking and dynamic public private partnership (PPP) framework to promote and encourage the undertaking of large infrastructure projects which have a high social impact and other positive externalities. There is also need for new approaches to identifying financing for economic development, as well as the creation of a regional economic development strategy (RDS), inclusive of the adoption of regional sustainable development goals (RSDGs) as a complement to the SDGs.

Way Forward: Addressing the Challenges and Shortcomings Underlying our Poor Performance

The focus on the Region’s Economic Development Thrust is a matter that ought to remain high on the regional agenda, with a focus on the formulation of an RDS, as well as the promotion of the cross border sharing of information and best practices in seeking to identify optimal benefits from, for example, IDP assistance, which tend to be homogenous across development related programmes, so as to ensure the more effective optimization of these support programmes as well as address the observed poor performance of the regional integration process. Among the main reasons for the observed poor performance of the regional integration process has been the oft cited
“decision making and implementation deficit”. It is also said that the different states of readiness, capacity issues, human and financial resource constraints as well as the differing speeds and levels of development, are among the critical challenges that continue to stymie the Region’s efforts. In addition, the view also exists of a lack of political will to cede sovereignty in a number of key areas, which would create elements of a supra-national authority/structure that could help drive development from the centre.

Furthermore, there also appears to be an underlying level of mistrust and severe risk aversion, which have been allowed to fester due to the lack of stronger enforcement mechanisms, the absence of reciprocity as a guiding principle to govern the actions of Member States, and the limited use of the available dispute settlement mechanisms, including the Caribbean Court of Justice (CCJ). How the Region chooses to respond to these considerations may ultimately determine whether the functional establishment of the CSME and the ultimate attainment of sustainable economic growth and development will ever be achieved.

The reactivation of the national and regional consultative mechanisms are also necessary to improve decision-making and implementation, build consensus and ensure alignment of national and regional priorities, policies and action plans. In addition, it will also be necessary to fully translate the integration ideals into actual integration policies and actions for the benefit of the “average man on the street”, and to better gauge Member States’ capacity and willingness to undertake and complete implementation imperatives, while managing stake-holder expectations. There is also a need to put in place the core measures for the establishment of the macro-economic framework to support an integrated regional market.

Finally, there is a need to continually review the impact of the CSME and the Region’s development strategy in achieving the objectives of the RTC, and evaluate the progress being made in their implementation. More targeted support for implementation related interventions to bridge the gap between implementation outputs and outcomes must also be provided to enable the CARICOM Secretariat to effectively engage Member States to support the advancement of the Region’s sustainable development goals.

CBERA Waiver granted
The Caribbean Community (CARICOM) can once more breath easily as the United States’ request to the World Trade Organization (WTO) for an extension of the waiver for the Caribbean Basin Economic Recovery Act (CBERA) up to the end of September 2025, has been granted by the WTO General Council, which is the organization’s highest decision making body. The Region’s attention will now be focused on the developments related to passage of the Caribbean Basin Trade Partnership Act (CBTPA), which US legislators are now seeking to extend up to 30 September 2030. Both the CBERA and the CBTPA, which are known collectively as the Caribbean Basin Initiative (CBI), authorize the US government to legally provide preferential treatment to eligible products imported from the Region.

Regional ICT Ministers agree to review roaming rates
The Region’s Information and Communication Technology (ICT) Ministers met in early November 2019 and agreed on a number of priorities for achieving a single ICT Space within the Community. Among the key priorities was the decision to collectively engage the Region’s telecommunications providers in order to remove the vexing roaming charges which are imposed on telephone calls made by intra-regional travelers. The removal of roaming charges, which is considered to be a “low hanging fruit” for CARICOM, is expected to boost regional integration, by providing both social and economic benefits to the people of the Region, and has the potential to drive growth and development in the Community.

Update on the refined white sugar debate
Regional sugar producers and importers have reached a significant milestone in the ongoing debate over whether regionally produced plantation white sugar is substitutable for refined white sugar imported from extra-regional sources. Focusing on existing regional policies, refined white sugar importers were assured of the consistency and quality of future regional supplies, while producers were assured that any amount which they produce would benefit from regional protection.
Regional Market Opportunities

The grant of suspensions continues to be an important support measure for the Region’s private sector, as it is largely used to facilitate duty free access to primary and intermediate inputs, which are then incorporated into regional production, which underpins regional trade and the single market. The systematic granting of CET suspensions, however, continues to highlight the need for more regional investment in the production of these inputs, mainly for the manufacturing sector, and further shines a spotlight on several potentially profitable business and commercial opportunities arising from direct investment in these productive activities.

During the four month period July to October 2019, a total of 104 requests for suspension of the CET were granted, which was just above the 100 Suspensions approved during the first six months of 2019, and drawing almost level with the total 118 suspensions granted in all of 2018. The total value of imports during the last four months was also US$342,799,506, which was more than double the value of imports observed during the first half of 2019 (US$155,298,557) and less than twice the total imports for all of 2018 (US$187,523,172).

Table 4: Suspensions to Member States - July to October 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports (US$)</th>
<th>Suspensions</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbados</td>
<td>50,638,125</td>
<td>15</td>
<td>11.6%</td>
</tr>
<tr>
<td>Dominica</td>
<td>2,720,000</td>
<td>1</td>
<td>1.0%</td>
</tr>
<tr>
<td>Guyana</td>
<td>103,004,955</td>
<td>9</td>
<td>21.5%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>22,461,334</td>
<td>15</td>
<td>3.8%</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>163,975,092</td>
<td>64</td>
<td>62.0%</td>
</tr>
<tr>
<td>Total</td>
<td>342,799,506</td>
<td>104</td>
<td>100%</td>
</tr>
</tbody>
</table>

This trend, therefore, suggests that both the frequency and value of suspension requests are rapidly increasing, suggesting either that there is significantly underutilized manufacturing capacity within the Region or that there are major productive opportunities which are not being exploited by the private sector.

Of the US$342,799,506 worth of suspensions granted during July to October 2019, a total of US$103,380,384 or just under a third (30.2%) originated from five (5) main product groupings (see Table 5 below). These include Palm Oil (US$43,810,968), Coconut Oil (US$24,485,500), Vegetable Fats and Oils (US$21,471,113), Refined Sugar (US$9,426,843), and Soya Bean Oil (US$4,186,260).

The main markets for these extra-regional imports during the period were Trinidad and Tobago (US$163,975,092), Guyana (US$103,004,955), Barbados (US$50,638,125) and Jamaica (US$22,461,334).

Table 5: Top 5 Suspensions Granted - July to October 2019

Table 6 below further indicates that the bulk of the suspensions occurred in October 2019, at a value of US$289,216,522, which was more than 156 times the comparable figure for October 2018, and was well in excess of the total value of imports for the six months ending June 2019 as well as 35% greater than the total imports recorded in 2018.

Table 6: Monthly Imports and Potential Revenue Foregone

<table>
<thead>
<tr>
<th>Month (2019)</th>
<th>Imports (US$)</th>
<th>Suspensions</th>
<th>Potential revenue foregone (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>18,190,700</td>
<td>7</td>
<td>3,195,004</td>
</tr>
<tr>
<td>August</td>
<td>5,316,841</td>
<td>10</td>
<td>2,082,362</td>
</tr>
<tr>
<td>September</td>
<td>30,075,443</td>
<td>25</td>
<td>10,740,872</td>
</tr>
<tr>
<td>October</td>
<td>289,216,522</td>
<td>62</td>
<td>88,838,116</td>
</tr>
<tr>
<td>Total</td>
<td>342,799,506</td>
<td>104</td>
<td>104,856,354</td>
</tr>
</tbody>
</table>
QUICK FACTS:

WHAT IT IS: The Caribbean Community (CARICOM) and the Government of the Republic of Costa Rica signed an agreement in 2004. The Agreement was driven by the need to, inter alia, broaden the markets of the Parties in order to achieve economies of scale and to develop closer, more dynamic and balanced trade and investment relations between the two sides. It was intended to establish a free trade area between the two sides to, among other things:

- improve trade relations;
- create opportunities for further economic development;
- create an expanded and more secure market for the goods produced in, and services supplied in or from their territories;
- promote regional integration in the Americas;
- enhance the competitiveness of their companies in world markets; and
- promote the active participation of the private sector in economic relations between the two sides.

WHO CAN PARTICIPATE: The private/business sectors of Costa Rica and all CARICOM Member States which are party to the Agreement. Among CARICOM Members, The Bahamas, Haiti and Montserrat are not parties to the Agreement.

The Least Developed Countries (LDCs) of CARICOM are not required to grant preferential treatment to originating goods from Costa Rica.

WHAT GOODS CAN BE TRADED: The Agreement, in general, provides for free trade or preferential access for a wide range of products, excluding sensitive goods. Tariffs have been eliminated or phased out on approximately 95% of all products. Therefore, with the exception of a relatively limited range of items, all products benefit from free trade under the Agreement. The limitations to free trade are in respect of –

- Seasonal tariffs which are applied on selected agricultural products (e.g. tomatoes, onions, shallots, cabbage, lettuce, pumpkins, potatoes, peas, mangoes, melons, yams, cassava, avocado, mangoes, papaya, sapodillas, soursop, carambola, akee, ginger, pepper);
- A list of goods on which tariffs are maintained (e.g. meat and edible meat offal, fish, milk, bananas, rice, hams, rum, beer, salt, cement, paints, candles, disinfectants, glass bottles, wooden furniture);
- A list of products which are subject to different preferential treatment, as specified by each country (e.g. Hams, cut flowers, sausages, biscuits, groundnuts, ice cream, aerated beverages, liquid bleach, handbags of leather, stove ranges, lead acid electric accumulators, mattress support); and
- Oils, fats and soaps in which free trade is restricted.

HOW CAN BUSINESSES BENEFIT: In addition to the duty free access for originating products provided to businesses under the Agreement, the Agreement also requires the Parties to eliminate all non-tariff barriers, except, for example, in cases where it is necessary to protect public morals, human, animal or plant life, the environment; and for security purposes. Importantly also, the Parties agreed not to introduce any new prohibition or restriction on the importation or exportation of goods originating in the other Party.

Table 7 - Summary of CARICOM’S Trade Performance with the Dominican Republic (2010-2016)* (US$’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>125,152</td>
<td>141,999</td>
<td>16,847</td>
</tr>
<tr>
<td>2011</td>
<td>132,006</td>
<td>87,716</td>
<td>-44,289</td>
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<tr>
<td>2012</td>
<td>147,779</td>
<td>9,111</td>
<td>-138,668</td>
</tr>
<tr>
<td>2013</td>
<td>146,943</td>
<td>278,339</td>
<td>131,396</td>
</tr>
<tr>
<td>2014</td>
<td>153,485</td>
<td>82,770</td>
<td>-70,715</td>
</tr>
<tr>
<td>2015</td>
<td>145,483</td>
<td>77,150</td>
<td>-68,333</td>
</tr>
<tr>
<td>2016</td>
<td>151,645</td>
<td>11,792</td>
<td>-139,853</td>
</tr>
</tbody>
</table>

Source: CARICOM Secretariat Regional Statistics Programme.
*Values indicated comprise both trade under the Agreement and trade not covered by the Agreement.

Requests for additional information should be directed to the CARICOM Secretariat Registry at registry@caricom.org.
Demystifying the CET

While the Common External Tariff (CET) is a uniformed tariff throughout the CARICOM Single Market and Economy (CSME), there is a common misconception that as a result of its implementation competing extra-Regional products would or should be totally and completely absent from local markets. This, however, is simply not the case. The CET was designed to afford protection to the firms within Member States in order to promote Regional production, including through the promotion and use of Regional inputs. However, none of the goals of the Community have ever espoused the creation of a closed Regional market that is devoid of extra-regional competition. In fact, Article 6 of the Revised Treaty of Chaguaramas (RTC) promotes the expansion of trade and economic relations with Third States.

In addition, the majority of the CARICOM Member States are also members of the World Trade Organisation (WTO), which imposes certain rules and obligations in relation to the principles of reciprocity, non-discrimination and most favoured nation (MFN) treatment, which are generally adhered to. In fact, when placed in its correct context, the CSME is simply a special derogation from CARICOM Member States’ normal WTO obligations. As a result, CARICOM Member States have the option to apply the special common duty rates prescribed under the CET which in general gives Regional production an advantage. However, once the relevant duties are paid by the importers, extra-Regional goods are allowed to enter into the markets of Member States, subject to any licensing and regulatory requirements which may obtain in each territory. It is, therefore, solely up to the importer and the end users/consumers to determine whether or not they wish to purchase the imported versus the regionally made products.

The CET, therefore, mainly serves to provide an environment in which regional products would be able to derive some amount of competitive advantage over extra-regional imports, rather than instead to ban foreign imports. This results in imported items being found on the supermarket shelves and stores throughout the region, which may cost a bit more, but sometimes a lot less, when compared to goods which are produced within the Community. This way, consumers would have the option to exercise their preference in deciding whether to buy the Regional item, which may even be more expensive than the foreign imports, but do so for the sake of supporting regional producers, or make their decision solely on price and cost of living considerations. It is, therefore, within the consumers’ purview to exercise their right to choose.

Article 164: Opportunities Behind the Tariff Wall

In developing the CSME, the framers of the RTC contemplated that there was the possibility for situations of economic dislocation to arise from the operation of the single market and economy, particularly in relation to the smaller economies of the Region, who are designated as CARICOM Less Developed Countries (LDCs). In order to support industrial development in the LDCs, Chapter Seven of the RTC dealing with disadvantaged countries, regions and sectors contains a special provision known as Article 164, which allows the Council for Trade and Economic Development (COTED) to grant, as a temporary support measure, authorization to the LDCs to suspend Community origin in order to impose a common tariff on both
imported foreign goods as well as goods originating from the More Developed Countries (MDCs) of CARICOM, but only on selected products.

Under the current terms and conditions on Article 164 treatment granted by the COTED, CARICOM LDCs are allowed to levy duties on agreed products imported from MDCs for a specific period of time (currently 10 years), but this is subject to a mid-term review. It is, however, important to note that a margin of preference is in fact maintained between the tariffs imposed on third countries, and those imposed on CARICOM MDCs, in favour of the latter, which is equivalent in magnitude to the CET rates that usually applicable to the designated Article 164 products. For each of these products, therefore, the COTED allows CARICOM LDCs to impose duties that are higher than the CET on extra-regional imports. The products benefitting under Article 164 include:

- Aerated Beverages
- Aerated Waters; other waters
- Beer
- Malt
- Candles of paraffin wax
- Curry powder
- Pasta
- Prepared animal feed
- Chairs and Furniture of Wood and Upholstered fabric
- Solar water heaters
- Industrial gases (acetylene, oxygen, carbon dioxide)
- Wheat or Meslin flour
- Paints and varnishes

It is important to note that Article 164 protection creates a tariff wall both in relation to international and regional trade that affords a level of protection that ought to incentivize foreign direct investment as well as intra-regional investment in these sectors. There is, therefore, tremendous potential for Caribbean manufacturers and producers to take advantage of this base of protection to generate competitive advantages for penetrating regional and international markets.

The Ongoing CET and Rules of Origin Review

A comprehensive review of the CET and Rules of Origin is currently ongoing with the purpose of revising the Regional trading arrangements, particularly the two main policy instruments of the Community, which are the CET and Rules of Origin provisions for the entire trade sector. The Review is expected to culminate in the development of a new Regional customs tariff regime, with a revised set of rules and a revised rate structure, which is consistent with the growth and development and the objectives of the Community.

Having received external technical assistance for some of the core technical issues, the COTED has mandated the establishment of a Regional Sub-Committee of Technical Experts. This technical sub-committee is intended to operate as the main negotiating bodycommittee to determine the new applicable CET rates and Origin rules, and will function as both an oversight committee to address areas where there are unresolved issues, as well as provide guidance to the technical work towards a final negotiated outcome. The technical sub-committee will comprise technical officers nominated by Member States, with the work of the sub-committee expected to commence early in the first quarter of 2020.

In addition to the Sub-Committee, several thematic areas are to be set up to give technical guidance in the formulation of targeted industrial policies for specific sectors. These include Agriculture (with a focus on primary production), Agro Processing (focusing on agro-business, food manufacturers), Industrial/Chemical/Pharmaceutical (focusing on non-food manufacturing, an industrial policy framework), Heavy Equipment, machinery, motor vehicles, the Mining/extractive sector and mineral resources, and Special considerations for Sugar, Rice, Alcoholic Beverages and Spirits, Cement and Oils and Fats.

The input of the Private Sector will be an important part of the development of the new rates and the rules for Regional Trade.
UNDER THE CSME ...

IT MATTERS that over 560 Border Officials are trained on CSME Free Movement Regime

IT MATTERS that 100 legal instruments were drafted to facilitate Single Market Compliance

IT MATTERS that Regional Poultry producers granted market access to all CARICOM States

IT MATTERS that the Regional companies (online) registry is being used in 12 countries

IT MATTERS that a labour market information system is developed (280 persons trained)

IT MATTERS that 10 Ministries of Agriculture are supported to develop National Strategies

IT MATTERS that there is persistent advocacy on Blacklisting, Concessional Financing ...

IT MATTERS that a Multilateral Air Services Agreement has been negotiated & approved

IT MATTERS that annually over US$50m in CET Suspensions are granted to boost growth

INTEGRATION AT WORK

- Right of Establishment
- Common External Tariff
- Free Circulation of Goods
- Free Movement of Capital
- Common Trade Policy
- Free Movement of Labour
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